

CNB FINANCIAL CORP/PA
Form 10-Q
August 04, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10 Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the quarterly period ended June 30, 2017

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934**

For the transition period from _____ to _____

Commission File Number 000-13396

CNB FINANCIAL CORPORATION

(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction of
incorporation or organization)

25-1450605
(I.R.S. Employer
Identification No.)

1 South Second Street

P.O. Box 42

Clearfield, Pennsylvania 16830

(Address of principal executive offices)

Registrant's telephone number, including area code, (814) 765-9621

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer , accelerated filer , smaller reporting company , and emerging growth company in Rule 12b-2 of the Exchange Act.:

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the issuer's common stock as of August 1, 2017

COMMON STOCK NO PAR VALUE PER SHARE: 15,285,236 SHARES

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Forward-Looking Statements

This quarterly report on form 10-Q includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, with respect to the financial condition, liquidity, results of operations, future performance and our business. These forward-looking statements are intended to be covered by the safe harbor for

forward-looking statements provided by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are those that are not historical facts. Forward-looking statements include statements with respect to beliefs, plans, objectives, goals, expectations, anticipations, estimates and intentions that are subject to significant risks and uncertainties and are subject to change based on various factors (some of which are beyond our control). Forward-looking statements often include the words believes, expects, anticipates, estimates, forecasts, intends, targets, potentially, probably, projects, outlook or similar expressions or future conditional verbs such as may, will, should, would. Such known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from the statements, include, but are not limited to, (i) changes in general business, industry or economic conditions or competition; (ii) changes in any applicable law, rule, regulation, policy, guideline or practice governing or affecting financial holding companies and their subsidiaries or with respect to tax or accounting principles or otherwise; (iii) adverse changes or conditions in capital and financial markets; (iv) changes in interest rates; (v) higher than expected costs or other difficulties related to integration of combined or merged businesses; (vi) the inability to realize expected cost savings or achieve other anticipated benefits in connection with business combinations and other acquisitions; (vii) changes in the quality or composition of our loan and investment portfolios; (viii) adequacy of loan loss reserves; (ix) increased competition; (x) loss of certain key officers; (xi) continued relationships with major customers; (xii) deposit attrition; (xiii) rapidly changing technology; (xiv) unanticipated regulatory or judicial proceedings and liabilities and other costs; (xv) changes in the cost of funds, demand for loan products or demand for financial services; (xvi) other economic, competitive, governmental or technological factors affecting our operations, markets, products, services and prices; and (xvii) our success at managing the foregoing items. Some of these and other factors are discussed in our annual and quarterly reports filed with the Securities and Exchange Commission (SEC). Such factors could have an adverse impact on our financial position and our results of operations.

The forward-looking statements contained herein are based upon management's beliefs and assumptions. Any forward-looking statement made herein speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

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Part I Financial Information

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS

Dollars in thousands, except share data

	(unaudited)	
	June 30, 2017	December 31, 2016
<u>ASSETS</u>		
Cash and due from banks	\$ 31,293	\$ 26,937
Interest bearing deposits with other banks	1,756	2,246
Total cash and cash equivalents	33,049	29,183
Securities available for sale	453,065	495,835
Trading securities	5,751	4,858
Loans held for sale	1,652	7,528
Loans	2,024,307	1,876,966
Less: unearned discount	(3,478)	(3,430)
Less: allowance for loan losses	(17,269)	(16,330)
Net loans	2,003,560	1,857,206
FHLB and other equity interests	23,298	19,186
Premises and equipment, net	50,367	49,522
Bank owned life insurance	44,786	44,273
Mortgage servicing rights	1,381	1,391
Goodwill	38,730	38,730
Core deposit intangible	2,192	2,854
Accrued interest receivable and other assets	21,078	23,255
Total Assets	\$ 2,678,909	\$ 2,573,821
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Non-interest bearing deposits	\$ 313,871	\$ 289,922
Interest bearing deposits	1,762,918	1,727,600
Total deposits	2,076,789	2,017,522
Short-term borrowings	44,959	134,078
FHLB and other long term borrowings	217,981	102,926
Subordinated debentures	70,620	70,620
Deposits held for sale	0	6,456
Accrued interest payable and other liabilities	28,268	30,435
Total liabilities	2,438,617	2,362,037
Common stock, \$0 par value; authorized 50,000,000 shares; issued 15,308,378 shares at June 30, 2017 and 14,473,482 shares at December 31, 2016	0	0
Additional paid in capital	96,490	77,737

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Retained earnings	142,409	134,295
Treasury stock, at cost (23,007 shares at June 30, 2017 and 5,667 shares at December 31, 2016)	(541)	(127)
Accumulated other comprehensive income (loss)	1,934	(121)
Total shareholders' equity	240,292	211,784
Total Liabilities and Shareholders' Equity	\$ 2,678,909	\$ 2,573,821

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF INCOME (unaudited)

Dollars in thousands, except per share data

	Three months ended June 30,	
	2017	2016
INTEREST AND DIVIDEND INCOME:		
Loans including fees	\$ 23,915	\$ 19,043
Securities:		
Taxable	2,125	2,414
Tax-exempt	774	867
Dividends	189	149
Total interest and dividend income	27,003	22,473
INTEREST EXPENSE:		
Deposits	2,243	2,077
Borrowed funds	785	794
Subordinated debentures (includes \$74 and \$86 accumulated other comprehensive income reclassification for change in fair value of interest rate swap agreements in 2017 and 2016, respectively)	986	199
Total interest expense	4,014	3,070
NET INTEREST INCOME	22,989	19,403
PROVISION FOR LOAN LOSSES	1,134	220
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	21,855	19,183
NON-INTEREST INCOME:		
Service charges on deposit accounts	1,165	1,006
Other service charges and fees	559	624
Wealth and asset management fees	952	780
Net realized gains on available-for-sale securities (includes \$155 and \$1,005 accumulated other comprehensive income reclassifications for net realized gains on available-for-sale securities in 2017 and 2016, respectively)	155	1,005
Net realized and unrealized gains on trading securities	127	64
Mortgage banking	247	147
Bank owned life insurance	364	263
Card processing and interchange income	970	787
Gain on sale of branch	536	0
Other	14	142
Total non-interest income	5,089	4,818
NON-INTEREST EXPENSES:		
Salaries and benefits	8,902	7,908
Net occupancy expense	2,257	1,881
Amortization of core deposit intangible	331	217
Data processing	1,019	1,121
State and local taxes	614	558
Legal, professional, and examination fees	666	364

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Advertising	619	395
FDIC insurance premiums	370	340
Prepayment penalties long-term borrowings	0	1,506
Core processing conversion costs	0	1,488
Merger costs	0	173
Card processing and interchange expenses	614	448
Other	2,405	2,353
Total non-interest expenses	17,797	18,752
INCOME BEFORE INCOME TAXES	9,147	5,249
INCOME TAX EXPENSE (includes \$28 and \$322 income tax expense from reclassification items in 2017 and 2016, respectively)	2,464	1,184
NET INCOME	\$ 6,683	\$ 4,065
EARNINGS PER SHARE:		
Basic	\$ 0.44	\$ 0.28
Diluted	\$ 0.44	\$ 0.28
DIVIDENDS PER SHARE:		
Cash dividends per share	\$ 0.165	\$ 0.165

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF INCOME (unaudited)

Dollars in thousands, except per share data

	Six months ended June 30,	
	2017	2016
INTEREST AND DIVIDEND INCOME:		
Loans including fees	\$ 45,885	\$ 37,729
Securities:		
Taxable	4,316	4,769
Tax-exempt	1,574	1,750
Dividends	332	291
Total interest and dividend income	52,107	44,539
INTEREST EXPENSE:		
Deposits	4,364	4,093
Borrowed funds	1,594	1,708
Subordinated debentures (includes \$149 and \$176 accumulated other comprehensive income reclassification for change in fair value of interest rate swap agreements in 2017 and 2016, respectively)	1,958	393